Investment Idea

NexG Bhd

RM1.73bn Passport Award

By Thong Pak Leng, Vice President of Research

BUY

Price: RM0.49

Target price: RM0.80

NexG Berhad (NEXG: 5216) received and accepted the Letter of Award dated 29 August 2025 from Kementerian Dalam Negeri in respect for the supply of Malaysia International Passport (Contract) for Jabatan Imigresen Malaysia for a period of six (6) years, commencing from 1 June 2026 to 31 May 2032, for a contract value of RM1.728bn. We expect NEXG to register earnings of RM100.5m and RM118.8m for FY3/26 and FY3/27. We are introducing FY3/28 net earnings forecast at RM198.1m, partially benefitted from the new contract award. BUY with target price of RM0.80 based on 20x PER (a discount to regional sector average due to its smaller scale) over FY3/28 fully diluted (FD) EPS. Our FD EPS is based on the enlarged issued shares from private placement, fully exercised of ESOS and 1.39bn of warrants conversion divided into 3 years (assuming 1/3 being converted each year from FY3/26 to FY3/28).

We believe the award of the RM1.728bn contract to supply the Malaysian International Passport over a six-year period is a pivotal development for NEXG. We expect partial financial advantage from the RM1.728bn contract, beginning FY3/28 driven by initial mobilisation and early-phase deliveries. Full-year revenue contribution will commence in FY3/29, as production scales up and supply stabilises. On average, the contract may contribute approximately RM288m in revenue annually, though the actual figure may vary across the years depending on project phasing.

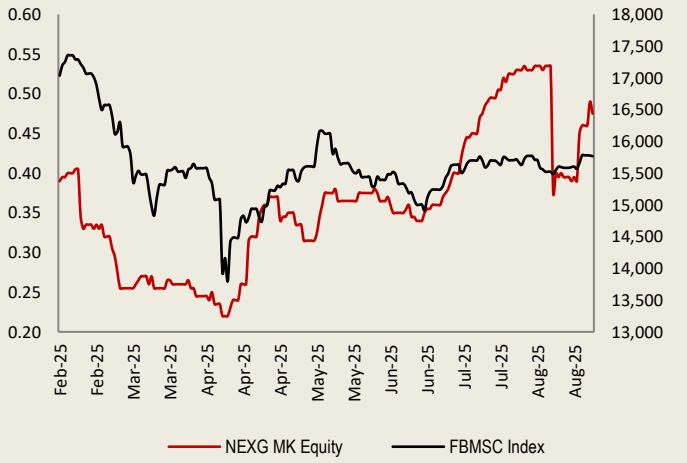
We envisage this long-term mandate will not only deliver world-class passport solutions for Malaysians but also reinforces the Group's foundation for expanding into secure ID, digital identity, and public-sector digital projects. To support this mandate, NexG will channel RM250m into building a new high-security, ESG-compliant facility, aimed at scaling production and generating high-skilled employment.

As part of the contract conditions, NEXG is required to furnish a performance bond of RM14.4m and implement the Government's PROTÉGÉ-RTW programme, which will train at least 720 graduates during the contract period at no cost to the Government. The project marks a continuation of NEXG's role in supplying and managing critical identity documents for the Immigration Department and signals the Government's confidence in the Group's technological and operational capabilities.

To meet rising demand, particularly from government contracts, the Group is acquiring a new 30,000-square-foot facility in the Klang Valley at a cost of RM18.4m. An additional RM1.6m has been allocated for machinery upgrades. The new plant is expected to support high-volume orders for documents such as passport booklets, national IDs, and biometric security systems.

Technically Speaking

Resistance level	RM0.535
Support level	RM0.450



KLCI	1,575.12
YTD FBM KLCI change	-4.1%
YTD FBM SC Index change	-12.4%
YTD stock price change	19.5%

Stock Information

Market Cap (RM'm)	1,548.4
Issued Shares (m)	3,159.9
52-week range (H)	0.54
52-week range (L)	0.21
Shariah Compliant	Yes

Major Shareholders

Datuk Abu Hanifah bin Nordin	7.8%
Kuantum Juang SB	5.8%
Titian Tegap SB	4.6%

Summary Earnings Table

FY March (RM'm)	2025	2026F	2027F	2028F
Revenue	373.5	336.1	420.1	699.2
EBITDA	169.3	152.4	179.1	299.5
Pretax profit	151.8	135.7	158.1	263.8
PATMI	115.5	100.5	118.8	198.1
Core PATMI	**115.5**	**100.5**	**118.8**	**198.1**
Consensus	-	100.3	105.7	111.5
Core EPS (sen)	3.9	3.4	4.0	6.7
FD Core EPS (sen)	3.9	2.5	2.7	4.0
EPS growth (%)	25.2%	-13.0%	18.3%	66.8%
DPS (sen)	3.1	2.0	2.1	3.2
PER (x)	12.6	14.5	12.3	7.3
BV/Share (RM)	0.14	0.11	0.12	0.13
ROE (%)	29.1%	27.3%	35.9%	54.7%
Div. Yield (%)	6.3%	4.1%	4.3%	6.6%

Sources: Company, Rakuten Trade Research

COMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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Published:

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